

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 AGR-20 EB-11 SSO-00 AID-20 IGA-02 TAR-02

STR-08 SPM-01 OMB-01 COME-00 TRSE-00 INRE-00 USIE-00

NSCE-00 CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 RSR-01 /133 W
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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 4935

C O N F I D E N T I A L TOKYO 8249

PASS SECRETARY BUTZ AND SECRETARY DENT

E. O. 11652: GDS

TAGS: EAGR, ETRD, JA, US

SUBJECT: VISIT WITH JAPAN MINISTER OF AGRICULTURE -
SOYBEAN EMBARGO

REFS: TOKYO 8165, B) TOKYO 8247; C) TOKYO 8248

SUMMARY: MAF MINISTER SAKURAUCHI ASKED ME TO CALL JUNE 29 IN ORDER TO DISCUSS SOYBEAN EMBARGO. AFTER OUT-LINING ACUTE PROBLEMS IN JAPAN AS CONSEQUENCE OF RECENT EMBARGO ACTION, HE SPECIFICALLY REQUESTED JAPAN BE PERMITTED TO RECEIVE ALL OF THE 660,000 TONS OF SOYBEANS NOW ON CONTRACT FOR SHIPMENT TO JAPAN BETWEEN JULY AND SEPTEMBER. I PROMISED TO REPORT HIS REQUEST AND ASSURED HIM WE WILL BE AS FAIR AS POSSIBLE TO TRADITIONAL CUSTOMER JAPAN IN ALLOCATING SOYBEAN EXPORTS UNDER EXISTING PROGRAM. LATEST DEVELOPMENT WILL ENCOURAGE JAPANESE EFFORTS TO MOVE AWAY IN LONG TERM FROM HEAVY DEPENDENCE ON U. S. AS SOURCE OF SUPPLY AND IN ADDITION REPERCUSSIONS ALREADY PLACING STRAIN ON U. S.- JAPANESE RELATIONS. ACCORDINGLY, STRONGLY RECOMMEND JAPANESE REQUEST FOR FAVORABLE TREATMENT AS TRADITIONAL
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CUSTOMER BE GIVEN MOST SERIOUS CONSIDERATION. IT WOULD BE VERY MUCH IN BOTH ECONOMIC AND POLITICAL INTEREST OF U. S. END SUMMARY.

1. I CALLED ON AGRICULTURE AND FORESTRY MINISTER SAKURAUCHI AT 11:00 A. M., JUNE 29, AT HIS REQUEST. HE SAID THAT SUDDEN ANNOUNCEMENT OF EMBARGO ON U. S. SOYBEAN EXPORTS WAS QTE SHOCKING NEWS UNQTE FOR JAPAN AND SOURCE OF GREAT CONFUSION. PEOPLE ARE QTE UPSET UNQTE SINCE SOYBEAN FOODS -- MISO, SOY SAUCE AND TOFU - ARE A QTE NECESSITY OF LIFE UNQTE IN JAPAN, AND THE THREATENED IMPACT OF THE EMBARGO ON THESE VITAL COMMODITIES THUS HAS SERIOUS POLITICAL IMPLICATIONS. AFTER POINTING OUT FURTHER THAT SOYBEAN SELF- SUFFICIENCY IN JAPAN IS 3 PERCENT AND THAT U. S. IMPORTS ARE ABSOLUTELY ESSENTIAL LACKING ALTERNATIVE DOMESTIC OR FOREIGN SOURCES, SAKURAUCHI SAID IT VITAL FOR JAPAN TO RECEIVE ALL OF THE 660,000 TONS OF SOYBEANS NOW ON CONTRACT FOR SHIPMENT TO JAPAN BETWEEN JULY AND SEPTEMBER. HE REQUESTED THAT JAPAN AS TRADITIONAL CUSTOMER AND FRIEND OF U. S. BE GIVEN SPECIAL CONSIDERATION.

2. TO BACK UP THIS REQUEST FOR SPECIAL CONSIDERATION FOR JAPAN, SAKURAUCHI POINTED OUT THAT JAPAN HAS WORKED HARD TO RESPOND TO U. S. PRESSURE FOR IMPROVEMENT IN U. S.- JAPAN BALANCE OF PAYMENTS. HE SAID THAT JAPANESE IMPORTS OF U. S. AGRICULTURE, FOREST AND FISHERY PRODUCTS HAD INCREASED 31.1 PERCENT IN CALENDAR 1972 OVER 1971 OR FROM 1.6 TO 2.1 BILLION DOLLARS. HE ALSO MENTIONED FACT THAT SHORTAGES CAUSED BY LARGE SOVIET AND PRC PURCHASES OF SOYBEANS AND FEEDGRAINS IN THE U. S. HAD CREATED POLITICAL PROBLEMS IN JAPAN EARLIER THIS YEAR WHEN TOFU AND SOY SAUCE PRICES SKYROCKETED AND RICE STORES HAD TO BE USED FOR ANIMAL FEED.

3. SAKURAUCHI ALSO SAID THE SOYBEAN QUESTION WAS MOST WORRISOME BECAUSE IT REVIVED FEARS THAT U. S.- JAPAN TRADE PROBLEMS CENTERING ON AGRICULTURE AND FORESTRY PRODUCTS MIGHT SERIOUSLY DAMAGE RELATIONS BETWEEN OUR TWO COUNTRIES. HE EXPRESSED HIS VIEW THAT THERE HAVE BEEN QTE TOO MANY UNQTE SUCH PROBLEMS IN THE PAST
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SIX MONTHS. AS EXAMPLES HE CITED THE IMPACT OF SELF- IMPOSED RESTRAINTS ON U. S. LOG IMPORTS ON THE JAPANESE HOUSING PROBLEM AND THE SERIOS POLITICAL PROBLEM CAUSED BY U. S. PRESSURES FOR LIBERALIZATION OF ORANGES AT A TIME WHEN JAPANESE FARMERS WERE QTE DROWNING UNQTE IN A CRISIS CAUSED BY OVER- PRODUCTION OF LOCAL MANDARIN ORANGES. SAKURAUCHI ALSO SAID IF SOYBEAN SHORTAGES FORCED THE DIVERSION OF SURPLUS RICE FOR ANIMAL FEED IT WOULD AFFECT JAPAN' S CAPACITY TO PROVIDE AID TO FOOD- SHORT NATIONS IN ASIA, E. G., ROK, PHILIPPINES, CAMBODIA, WHICH ARE DEMANDING ASSISTANCE FROM JAPAN.

4. IN RESPONDING, I EMPHASIZED THAT EVEN UNDER EX-

TREMELY HIGH WORLD DEMAND IN 1972 AND CONTINUING INTO 1973, WE HAVE PROVIDED JAPAN WITH INCREASING VOLUMES OF GRAINS COMPARED TO THE SAME PERIODS A YEAR AGO. THE CURRENT ACTION IS TEMPORARY PENDING THE OUTCOME OF THE CURRENT CROP, AND FOR SOYBEANS THE CROP SITUATION IS CURRENTLY EXCELLENT. THE U. S. HAS MADE 40 MILLION ADDITIONAL ACRES AVAILABLE FOR PRODUCTION THIS YEAR AS COMPARED TO LAST ALTHOUGH ONLY 25 MILLION ACRES PLANTED THIS YEAR. JAPAN IS OUR BEST TRADITIONAL OVERSEAS CASH CUSTOMER FOR AGRICULTURAL PRODUCTS - SOYBEANS IN PARTICULAR - AND I AGREED TO RECOMMEND STRONGLY THIS FACT BE GIVEN DUE WEIGHT IN CONSIDERING JAPAN'S ALLOCATION UNDER THE CURRENT PROGRAM. SECRETARY BUTZ HAS EMPHASIZED THAT THE ACTION WE ARE TAKING IS TO PROTECT NOT ONLY U. S. CONSUMERS, BUT ALSO TRADITIONAL OVERSEAS CUSTOMERS QTE SUCH AS JAPAN UNQTE. I ALSO EMPHASIZED THIS POINT AND AGAIN I REPEATED QTE WE WILL GIVE JAPAN AS FAIR A BREAK AS POSSIBLE IN ALLOCATING FUTURE SOYBEAN SUPPLIES UNQTE.

5. COMMENT: YOU ARE UNDOUBTEDLY AWARE THIS EMBASSY HAS BEEN CONCERNED FOR SOME TIME AT VIEW BEING HEARD MORE AND MORE FREQUENTLY HERE TO EFFECT THAT JAPAN PLACING TOO GREAT DEPENDENCE ON US FOR ITS AGRICULTURAL COMMODITIES AND THAT AS A RESULT IT MUST DIVERSIFY ITS SOURCES. IT WAS FOR THIS REASON THAT I PROPOSED TO YOU (SEE PARA 9 TOKYO 6855) THAT AGRICULTURE BE DISCUSSED AT ECONCOM - SPECIFICALLY TO ALLAY JAPANESE CONCERN OVER THEIR
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DEPENDENCE ON US AS A SUPPLIER OF AGRICULTURAL COMMODITIES.

6. LATEST DEVELOPMENTS HAVE OF COURSE ONLY COMPOUNDED THIS PROBLEM AND I STRONGLY REITERATE MY FORMER SUGGESTION. IN ADDITION THERE CAN BE LITTLE DOUBT THAT AS A RESULT LATEST DEVELOPMENTS, JAPAN WILL IN LONG RUN EXPAND ITS DIVERSIFICATION EFFORTS TO THE EXTENT POSSIBLE. I BELIEVE, HOWEVER, WE CAN MINIMIZE DAMAGE IF ALLOCATION BREAKDOWN CLEARLY INDICATES WE ARE FAVORING OUR LONG-STANDING CUSTOMERS, SUCH AS JAPAN.

7. FURTHERMORE, YOU SHOULD BE AWARE ISSUE IS REGARDED HERE BY JAPANESE AS SUFFICIENTLY SERIOUS AS TO PLACE A POLITICAL STRAIN ON OUR RELATIONSHIP AND ALSO MORE DIRECTLY SERVE WEAKEN TANAKA GOVERNMENT. IT HAS ADDED TO ABILITY OF OPPOSITION TO PLACE BLAME FOR INCREASED INFLATION IN JAPAN ON U. S., E. G., HIGHER COSTS OF HOUSING DUE TO RESTRAINTS ON U. S. LOG IMPORTS AND NOW NEWLY SPIRALING COST OF BASIC FOOD PRODUCTS, THIS CAN ONLY SERVE TO HELP THOSE WHO QUESTION ADVANTAGE TO JAPAN FROM ITS CLOSE US- JAPAN RELATIONSHIP.

8. I KNOW FULL WELL THAT PRESIDENT AND YOU FACING MOST
DIFFICULT PROBLEM IN MAKING DECISION ON HOW TO ALLOCATE
AVAILABLE SUPPLIES. IN SO DOING, HOWEVER, I FEEL
OBLIGATION BRING THESE ABOVE- MENTIONED VIEWS TO YOUR
ATTENTION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TOKYO08249
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730635/abqcekvk.tel
Line Count: 171
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: TOKYO 8165, B) TOKYO 8247; C) TOKYO 8248
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 09 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Nov-2001 by elyme>; APPROVED <17-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980304
Subject: VISIT WITH JAPAN MINISTER OF AGRICULTURE - SOYBEAN EMBARGO
TAGS: EAGR, ETRD, JA, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005